

IDAHO STATE LIQUOR DIVISION

FY2013 BUDGET REQUEST

Page 6-87 of Legislative Budget Book



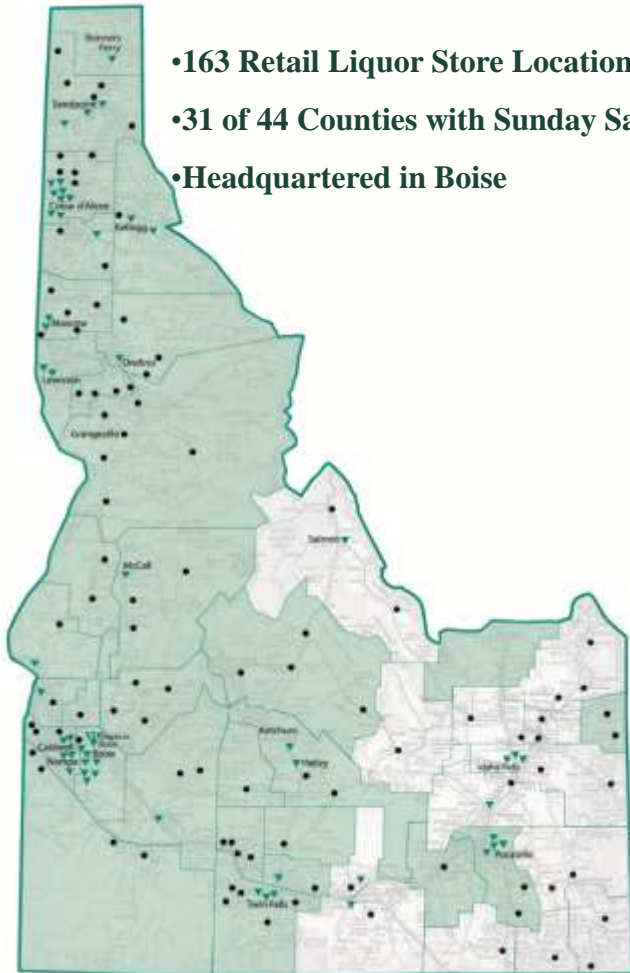
Idaho State Liquor Division – Central Office & Distribution Center
1349 E. Beechcraft Court - Boise, ID 83716

Mission and Vision

*The **mission** of the Idaho State Liquor Division is to provide control over the importation, distribution, sale, and consumption of distilled spirits; curtail intemperate use of beverage alcohol; and responsibly optimize the net revenues to the citizens of Idaho.*

*The **vision** of the Idaho State Liquor Division is to be the most respected and highest performing purveyor of distilled spirits in the U.S.A.*

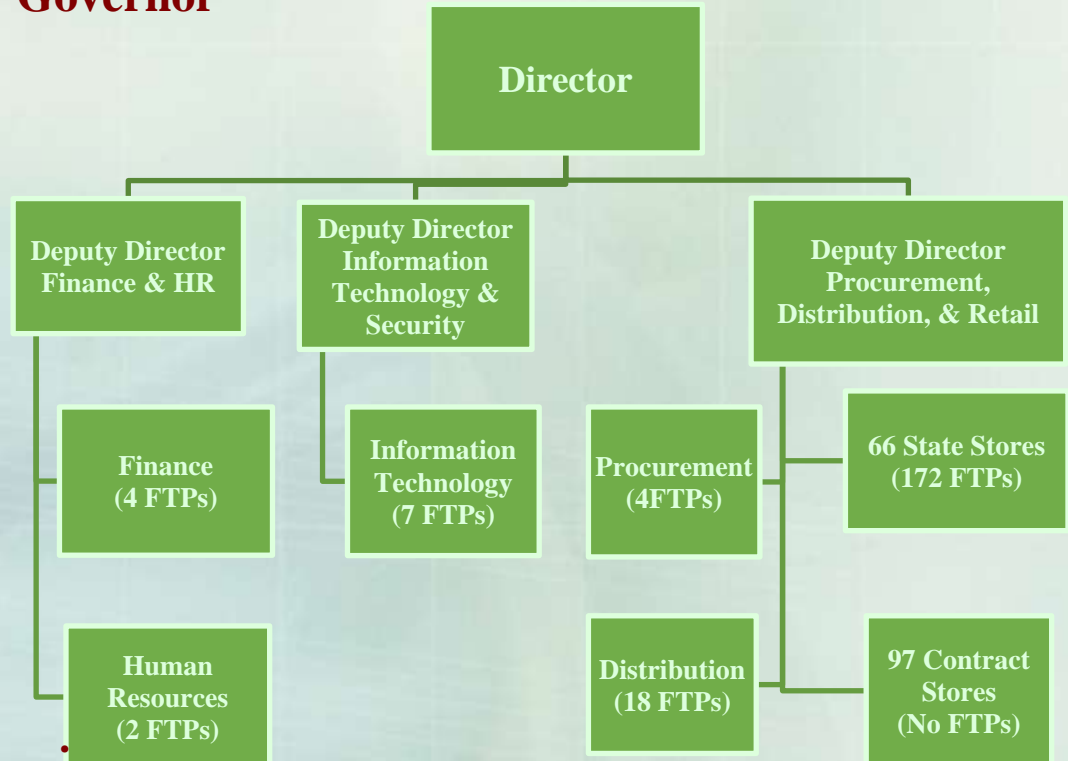
ISLD ORGANIZATION



- 163 Retail Liquor Store Locations
- 31 of 44 Counties with Sunday Sales
- Headquartered in Boise

Total FTPs: 210

ISLD is within the Executive Office of the Governor



ISLD Quick Facts



- Warehouse receives and distributes over 930,000 cases annually over an area of 83,000 sq. miles.
- Ratio of FTP Compensation-to-Sales is just 6.6% vs. retail Food & Beverage industry average of 10.7%.
(IRS Corporate Financial Ratios, 2009)
- ISLD is a dedicated fund agency and utilizes no General Fund dollars in its operation
- Sales/FTP = \$709,000 vs. Starbuck's average of \$58,500.
(Starbuck's Annual Report 2011)
- 21% of total Sales are to licensees (bars, restaurants)
- 83% of total ISLD Sales occur at 66 State-operated stores.

FY2011 Distributions

Total Distribution of funds
by the ISLD in the last ten
years:

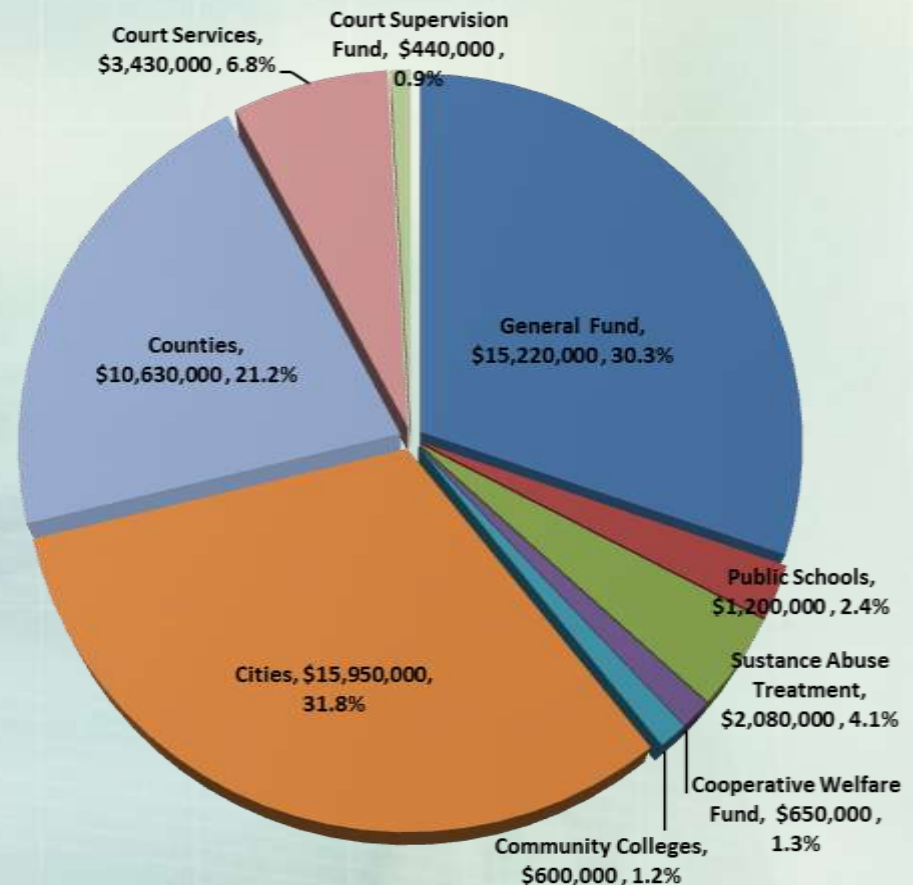
\$375,000,000

Total Projected Distribution
of funds FY11 – FY20:

\$600,000,000

IDAHO STATE
LIQUOR
DIVISION

FY11 Distribution = \$50,181,649



Current Year Highlights



- One-time **\$8,000,000** Surplus Distribution to General Fund after modifying cash management strategy.
- Focus on efficiency and cost control has resulted in higher profitability with smaller resource base.
- New product listing process gets innovations to market more quickly, maximizes opportunity.
- State-owned inventory turn improved with split-case strategies.
- Idaho Modernization Project (***iMOD***) in progress state-wide.

Current Year Highlights



- Your approval of customer service enhancements were implemented July 1, 2011
 - In response to evolving consumer shopping patterns, hours of operation were responsibly modified in 40 stores to provide enhanced convenience for customers.
 - Trends through 12/31/2011 indicate first year sales results will be 40% over estimation at outset.

OPE 2011 Recommendations



1. **Formal criteria based on data driven analyses now determines site locations.** -- ISLD improved retail site selection criteria. Beyond consultation with the Division of Public works criteria of cost, construction, and location criteria, ISLD now incorporates Geographical Information Systems (GIS); local economic development information; community-based size considerations (clusters); rigorous evaluation of conversion to contract store profitability criteria; and proximity to grocery stores.
2. **Track customer purchases by Zip Code** -- ISLD will begin testing the request for customer Zip Codes in March 2012.
3. **Store Evaluations** – To improve efficiencies and reduce expenses, ISLD formally evaluates each state-operated store on a continual basis.
4. **Formalize annual staff training to maximize safety and customer service** -- ISLD will be utilizing a full-time trainer in 2012 who will develop training modules, both web-based and in-person. Training will be focused on responsible service, product knowledge, human resources, safety, and modern merchandising techniques.

ISLD Performance

(Dollars in millions; cases in thousands)



	<u>2005</u>	<u>2010</u>	<u>2011</u>	<u>(Projected)</u> <u>2012</u>	<u>(Est.)</u> <u>2013</u>
Sales	\$95.2	\$137.6	\$143.9	\$150.6	\$157.5
Net Income	\$32.2	\$46.3	\$50.1	\$52.6	\$55.6
Net Profit Margin	33.8%	33.6%	34.8%	34.9%	35.3%
9-Liter Cases	673	896	931	964	998
<u>Distributions:</u>					
General Fund	\$4.9	\$13.1	\$15.2	\$25.2*	\$19.8
Other State Programs	\$12.4	\$8.3	\$8.4	\$8.5	\$8.7
Cities & Counties	\$16.5	\$25.8	\$26.6	\$26.9	\$27.4
Total Distributions	\$33.8	\$47.2	\$50.2	\$60.6	\$55.9

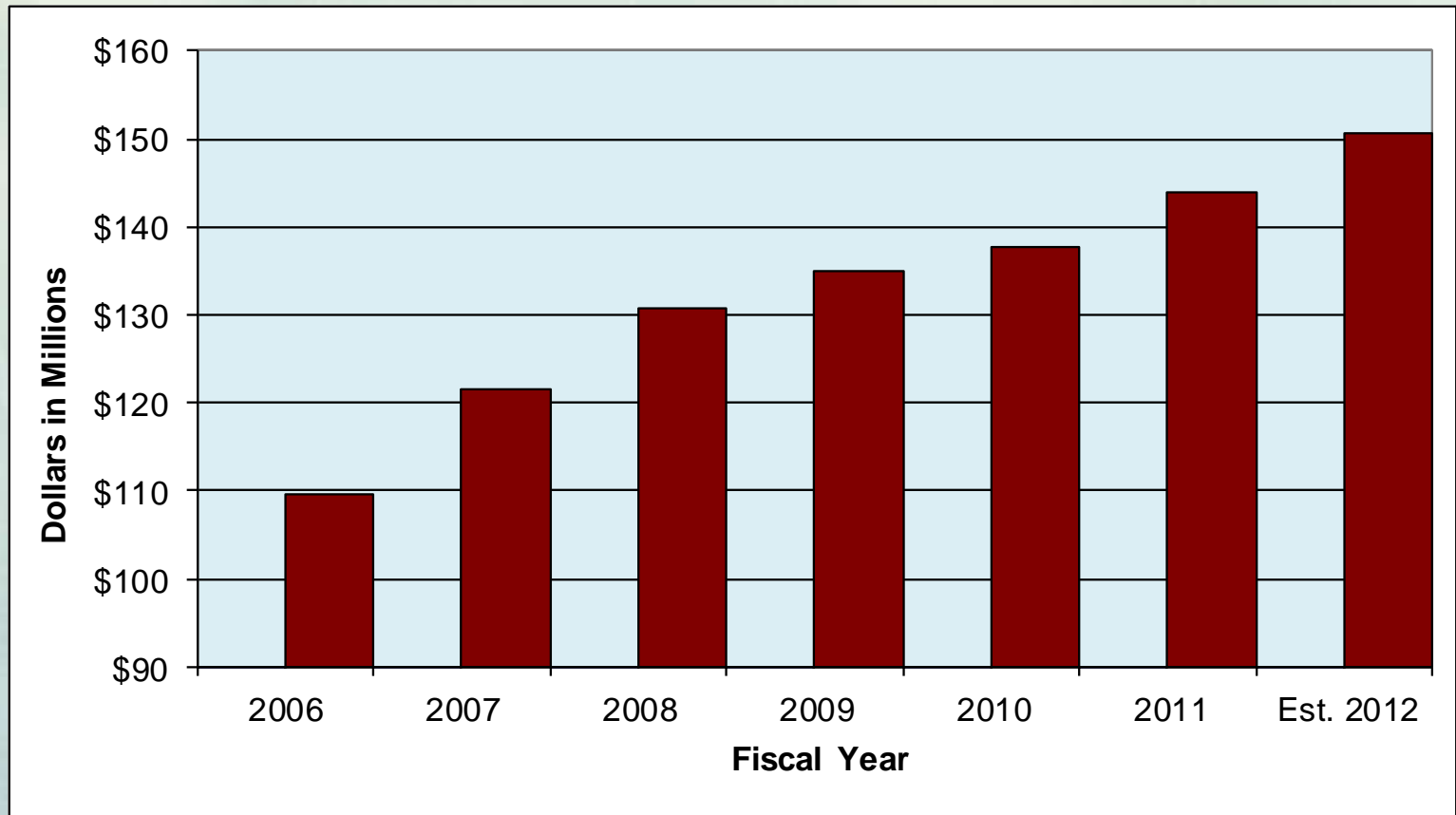
* Includes one-time \$8MM distribution to General Fund resulting from modification of cash management strategy.

ISLD Efficiency in Resource Utilization

	<u>2005</u>	<u>2010</u>	<u>2011</u>	Proj. <u>2012</u>	Est. <u>2013</u>
FTP's Utilized	160	201	203	210	210
Total # of Stores	152	165	163	163	163
State Stores	52	66	66	66	66
Contractors	100	99	97	97	97
Sales per FTP	\$595K	\$685K	\$709K	\$717K	\$750K
Profit per FTP	\$201K	\$230K	\$247K	\$250K	\$264K
Sales per Store	\$626K	\$834K	\$883K	\$924K	\$966K
Profit per Store	\$211K	\$281K	\$307K	\$323K	\$341K

Annual Dollar Sales Comparison

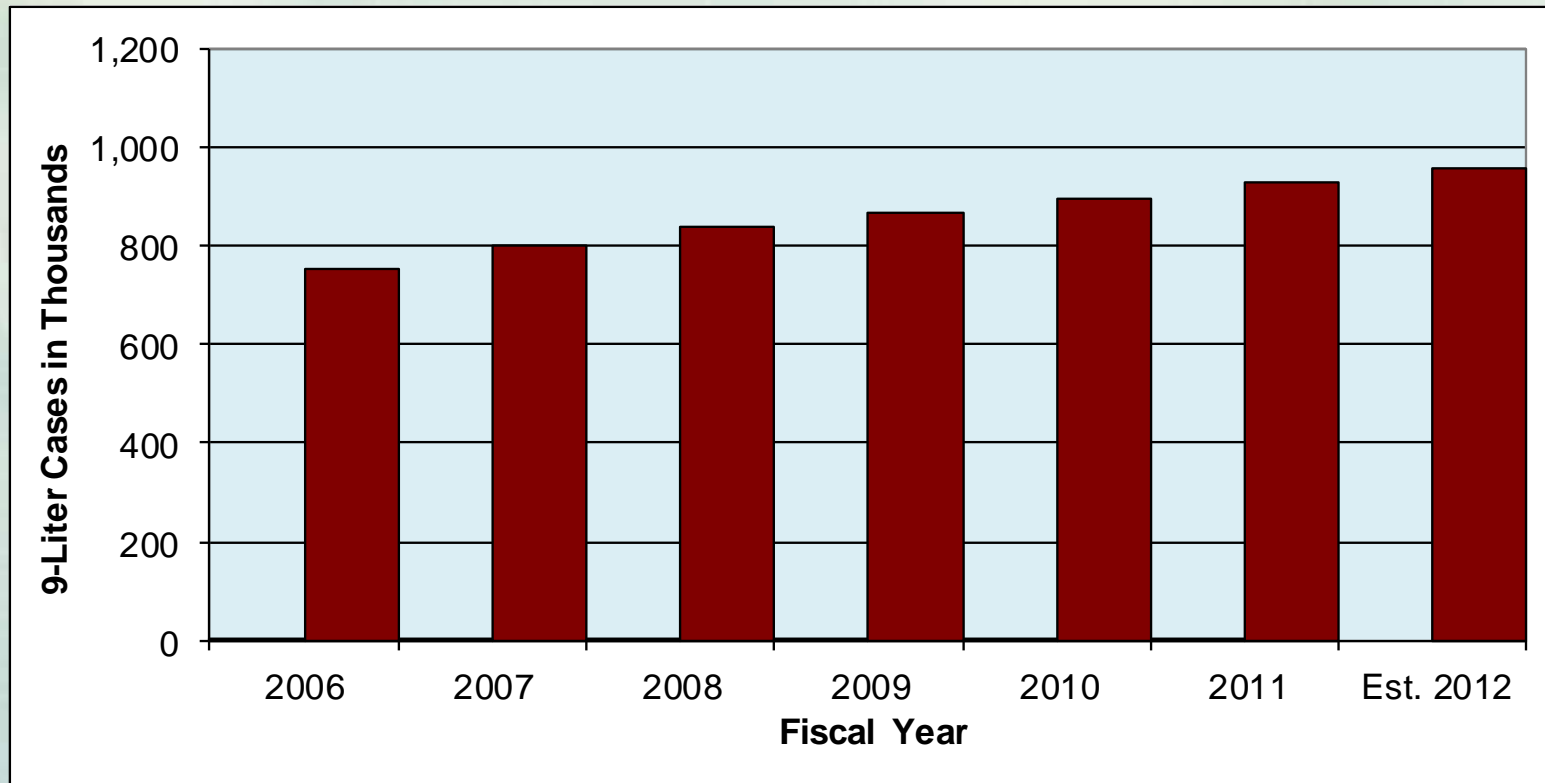
31% growth since 2006 fueled by product innovations; 14.3% growth in spirits share of total beverage alcohol consumption from 28% to 32%; an 11% growth in Idaho population; and rising consumer demand for premium and super-premium brands.



Consumption Trails Dollar Sales

Dollar Sales Outpace 9-Liter Case Equivalent

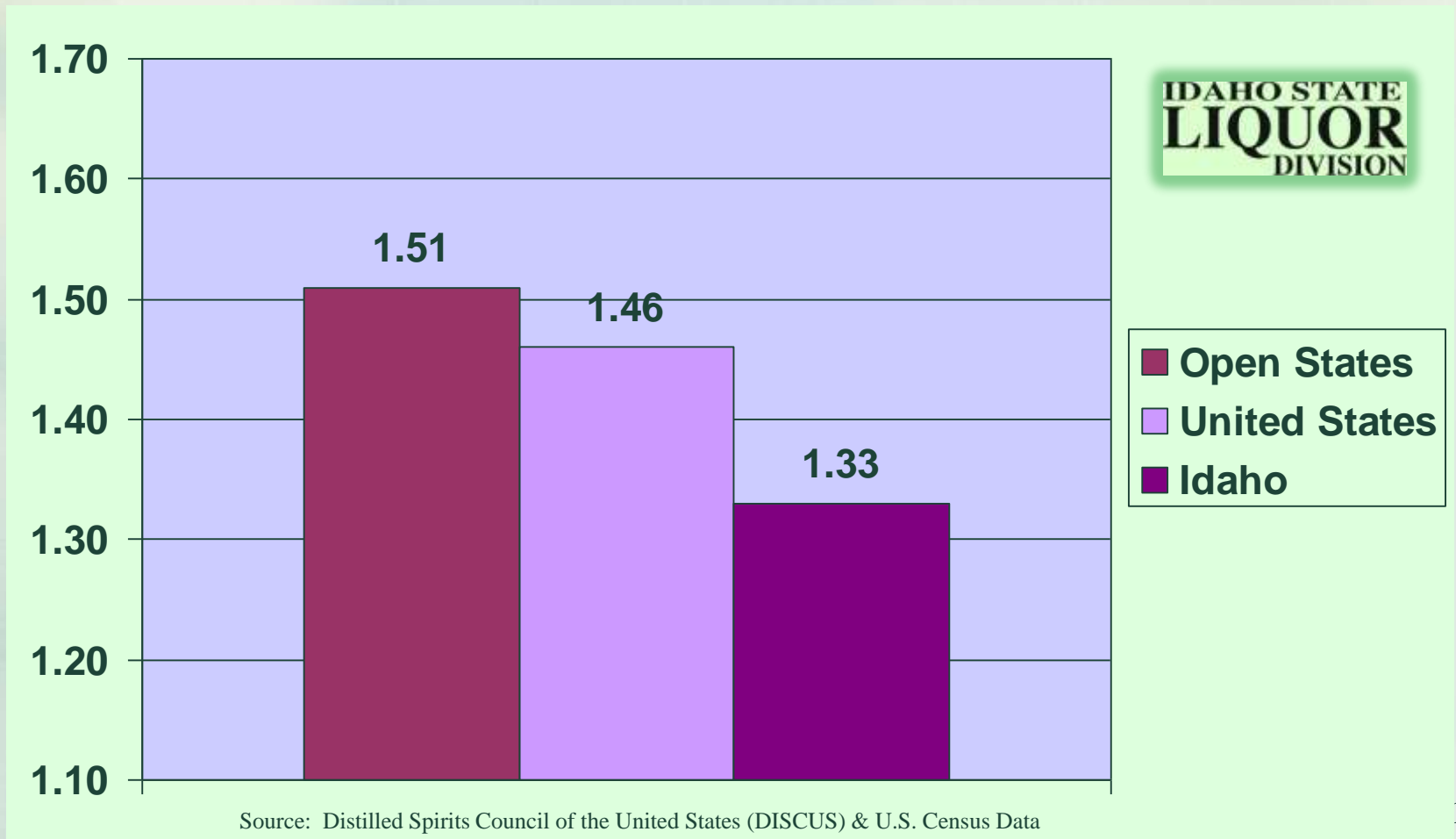
24% Increase in Case Sales Over the Last Five Years



Consumption of Distilled Spirits

(2010 Annual Gallons per Capita)

Open State Consumption is 14% Higher than in Idaho



ISLD FY 2013 Budget

(Pages 6-91 thru 6-92 of LBB)



FY 2012 Original Appropriation	\$16,376,500
Removal of One-time Expenditures	-726,000
Base Adjustments	-72,000
FY 2013 Base	\$15,578,500
Benefit Costs	306,900
Inflation Adjustments	33,000
Replacement Items	622,100
Statewide Cost Allocation	-14,000
CEC	0

FY 2013 Maintenance	\$16,526,500
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ISLD FY 2013 Budget (Decision Unit 4)

Staffing for Store Relocations/Expansions

(Page 6-93 of LBB)



Personnel costs to facilitate merchandising store remodels:

Incremental labor to prepare stores for opening.

Personnel Costs	\$ <u>11,100</u>	One-time
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DU 4 TOTAL	\$ 11,100	
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ISLD FY 2013 Budget (Decision Unit 5)

Employee Training

(Page 6-93 of LBB)



Personnel costs to cover formal training for all employees:

Incremental labor to provide each employee 8 hours of annual training. Focus of training is safety, market trends, and improved customer service.

Personnel Costs	<u>\$ 38,400</u>	Ongoing
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DU 5 TOTAL	\$ 38,400
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ISLD FY 2013 Budget

(Page 6-87 of LBB)



FY 2013 TOTAL REQUEST

Governor's Recommendation:

\$16,576,000

(+1.2% vs. FY2012 Spending Authorization)

FY12 Appropriation = \$16,376,500

FY11 Actual Expenditures = \$15,807,800



FY2013 BUDGET REQUEST

Thank You

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